

# Spartanburg Community College

## Independent Auditors' Report

Financial Statements and Schedules for the Year Ended June 30, 2013



**SPARTANBURG  
COMMUNITY  
COLLEGE**



SCC Central Campus



SCC Cherokee County Campus



SCC Tyger River Campus



SCC Downtown Campus



Union County Advanced  
Technology Center



# SPARTANBURG COMMUNITY COLLEGE

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June 30, 2013

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## **SPARTANBURG COMMUNITY COLLEGE**

Commission Members, Officers, Key Staff and Other Pertinent Information

Audit Period July 1, 2012 – June 30, 2013

### AREA COMMISSION

	<u>School District Represented</u>	<u>Term Expires</u>	<u>Office Held</u>
Mr. Bart C. Winkler	School District 1	04/27/17	Secretary
Mr. Eugene S. (Sonny) Anderson	School District 2	05/23/14	
Mr. Tracy W. Keller	School District 3	04/27/16	
Mr. F. Gary Towery	School District 4	04/27/17	
Mr. William Bruce Johnson	School District 5	04/27/16	Chairman
Mr. William G. Sarratt	School District 6	04/27/17	
Mr. Anthony D. Bell	School District 7	04/27/16	Vice-Chairman - (Member-at-Large) (Member-at-Large)
Mr. James M. Folk	School District 6	11/15/17	
Ms. Kimberly A. Fowler	School District 7	05/23/15	
Mr. Gregory M. Tate	Cherokee County	05/23/15	
Mr. Stanley O. Vanderford	Union County	11/15/13	
Dr. C. Scott Turner	Spartanburg	Ex-Officio	
Mr. J. Whitner (Whit) Kennedy, Jr.	Spartanburg	Ex-Officio	

### OFFICERS AND KEY ADMINISTRATIVE STAFF

Mr. Henry C. Giles, Jr.	President
Mr. L. Ray Switzer	Vice President of Business Affairs
Dr. Patricia P. Abell	Vice President of Planning and Information Resources
Mr. Ronald Jackson	Vice President of Student Affairs
Dr. Cheryl A. Cox	Vice President of Academic Affairs
Mr. P. Michael Forrester	Director of Economic Development/Interim Director of CCE
Mr. Samuel S. Hook	Executive Director of Advancement and Foundation
Mrs. Lynn F. Dale	Interim Director of Enrollment Services/Executive Director, Tyger River Campus
Mrs. Robin R. Cochran	Administrative Coordinator to the President
Mrs. Geraldine S. Mahaffey	Administrative Assistant to the President

### AREA SERVED BY COLLEGE

Spartanburg, Cherokee, and Union Counties

## SPARTANBURG COMMUNITY COLLEGE

Commission Members, Officers, Key Staff and Other Pertinent Information, Continued  
Audit Period July 1, 2012 – June 30, 2013

<b>S.C. State Board for Technical and Comprehensive Education</b>	
Mr. Dan P. Gray	1 <sup>st</sup> Congressional District
Mr. Wm. Brantley Harvey, Jr.	2 <sup>nd</sup> Congressional District
Mr. Bettis C. Rainsford	3 <sup>rd</sup> Congressional District
Vacant (2/25/2013)	4 <sup>th</sup> Congressional District
Mr. Ralph A. Odom, Jr.	5 <sup>th</sup> Congressional District
Vacant (2/25/2013)	6 <sup>th</sup> Congressional District
Vacant (2/25/2013)	Member at Large
Mr. Montez C. Martin, Chairman	Member at Large
Mr. Bruce H. Ellis	Member at Large
Mr. Guerry E. Green	Member at Large
Dr. Gwendolyn A. Bright	Member at Large
<b>Ex Officio</b>	
Dr. Mick Zais	State Superintendent of Education, State Department of Education
Dr. Darrel Staat	System President, South Carolina Technical College System
Mr. Robert M. Hitt, III	Secretary of Commerce, S.C. Department of Commerce

CLINE BRANDT KOCHENOWER  
& Co., P.A.  
Certified Public Accountants  
*Established 1950*

Independent Auditors' Report

Spartanburg Community College  
Spartanburg, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Spartanburg Community College and the discretely presented component unit (Spartanburg Community College Foundation) of Spartanburg Community College, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Spartanburg Community College Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented unit of Spartanburg Community College as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, GASB Statement No. 61 as implemented by the State of South Carolina during fiscal year 2013, changed the manner in which the College is reported in the State of South Carolina's Comprehensive Annual Financial Report to a discretely presented component unit. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2013, the College adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

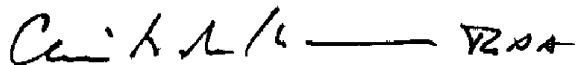
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Spartanburg Community College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of Spartanburg Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

**Report on State Lottery Assistance Program**

We have also issued our report dated September 20, 2013 on our consideration of Spartanburg Community College administration of the State Lottery Assistance Program and on our test of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Community and Comprehensive Education.

A handwritten signature in black ink, appearing to read "Cynthia A. Rosa", followed by a horizontal line and the letters "Rosa".

Gaffney, SC  
September 20, 2013





## Management's Discussion and Analysis

As management of Spartanburg Community College, we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2013, with comparative data for fiscal year ended June 30, 2012. The emphasis of discussion about these statements will be on current year data.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34, No. 35, No. 39 and No. 40 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective. The GASB statement presentation focuses on the financial condition of the College as a whole.

The State of South Carolina is implementing GASB Statements No. 61 and No. 63 for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College will now be presented as a discretely presented component unit in the 2013 State of South Carolina Comprehensive Annual Financial Report. In addition, the Statement of Net Assets has been replaced by the Statement of Net Position.

### Overview of the Financial Statements

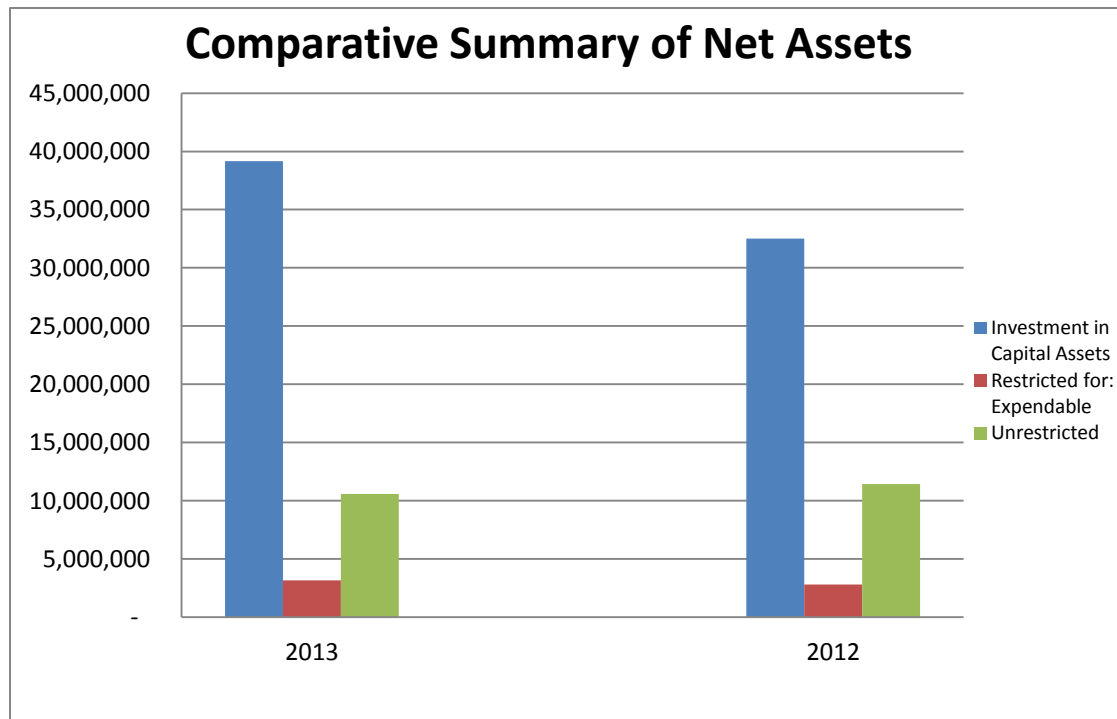
The College is engaged only in Business-type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Financial Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and non-current. The difference between total assets and total liabilities is net assets, which are displayed in three broad categories: invested in capital assets (net of related debt), restricted and unrestricted. Net assets are one indicator of the current financial position of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

- The assets of Spartanburg Community College exceeded its liabilities at June 30, 2013, by \$52,886,232 (net assets). Of this amount, \$10,565,434 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Total assets of the College increased by \$6,171,588. This change was primarily related to the College paying off three bonds in December 2012 and one bond in June 2013. Current liabilities decreased by \$1,117,907, and long-term liabilities decreased by \$5,507,872, primarily due to paying off the four bonds. Capital assets, net of accumulated depreciation decreased by \$665,607.

**Condensed Statement of Net Position  
As of June 30, 2013 and 2012**

	2013	2012	Increase (Decrease)
<b>Assets</b>			
Current Assets	\$ 18,389,441	\$ 18,178,025	\$ 211,416
Capital Assets	40,948,048	41,613,655	(665,607)
Other	0	0	0
<b>Total Assets</b>	<u>59,337,489</u>	<u>59,791,680</u>	<u>(454,011)</u>
<b>Liabilities</b>			
Current Liabilities	2,910,005	4,027,912	(1,117,907)
Non-current Liabilities	3,541,252	9,049,124	(5,507,872)
<b>Total Liabilities</b>	<u>6,451,257</u>	<u>13,077,036</u>	<u>(6,625,779)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	39,164,322	32,499,476	6,664,846
Restricted - Capital Projects	3,178,311	2,886,768	291,543
Restricted - Debt Service	(21,835)	(96,439)	74,604
Loans	-	-	-
Unrestricted	10,565,434	11,424,839	(859,405)
<b>Total Net Assets</b>	<u>\$ 52,886,232</u>	<u>\$ 46,714,644</u>	<u>\$ 6,171,588</u>



The Statement of Financial Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized by operating and non-operating. Expenses are reported by object type.

GASB requires state appropriations and gifts to be classified as non-operating revenues. (Pell grants are classified as non-operating revenue – grants and contracts.) This requirement results in an operating deficit for the College.

Condensed Summary of Financial Position  
For the Years Ended June 30, 2013 and June 30, 2012

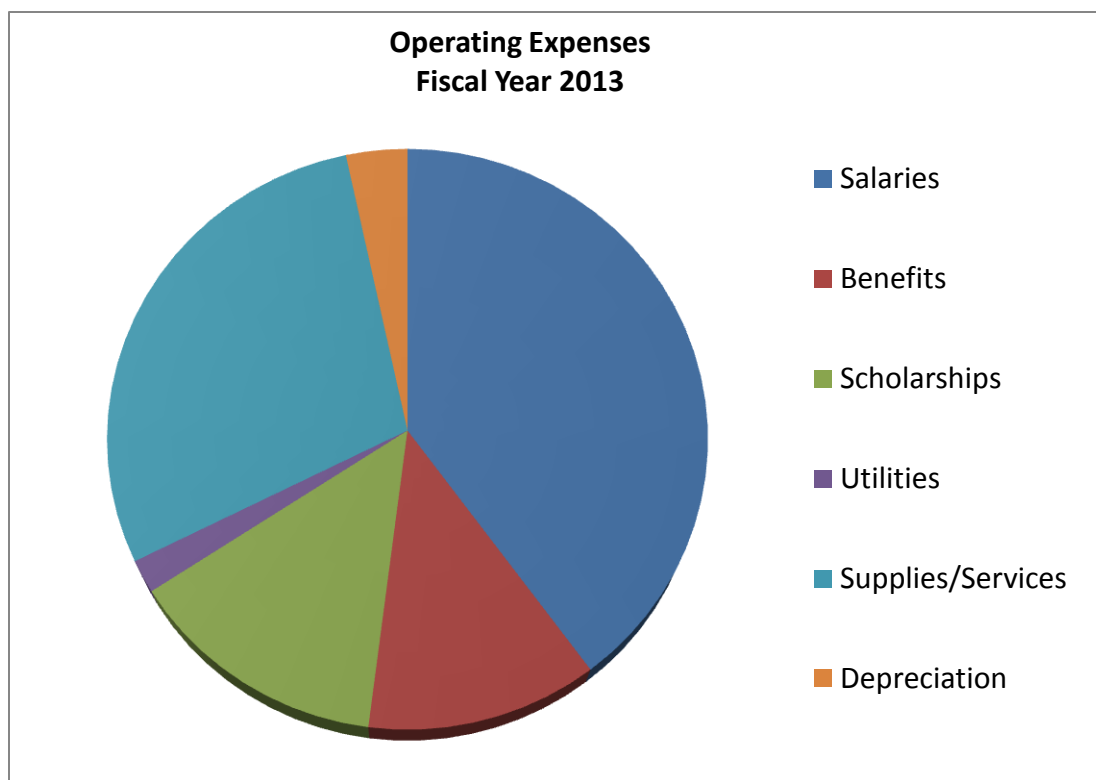
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 12,354,320	\$ 13,948,797
Grants and Contracts	6,734,520	6,276,991
Auxiliary Enterprises	2,322,741	2,562,253
Sales & Services	3,910	6,253
Other	367,738	419,347
Total Operating Revenues	<u>21,783,229</u>	<u>23,213,641</u>
LESS Operating Expenses	<u>49,118,045</u>	<u>48,426,996</u>
Operating Income (Loss)	(27,334,816)	(25,213,355)
<b>NON-OPERATING REVENUES</b>		
State Appropriations	6,326,829	5,892,759
State Capital Appropriations	4,823,773	1,670,976
Local Appropriations	5,004,130	5,182,712
Local Capital Appropriations	2,296,653	1,983,273
Interest Income	1,687	637
Interest on Capital Assets	(273,813)	(367,319)
Federal Grants and Contracts	13,737,855	13,770,324
Capital Grants and Gifts	-	40,200
Other Non-Operating Revenue	1,555,607	7,783
Gain (Loss) on Disposal of Assets	33,684	23,114
Total Non-Operating Revenues	<u>33,506,405</u>	<u>28,204,459</u>
Increase in Net Assets	6,171,589	2,991,104
Net Assets, Beginning of Year	<u>46,714,643</u>	<u>43,723,540</u>
Net Assets, End of Year	<u><u>\$ 52,886,232</u></u>	<u><u>\$ 46,714,644</u></u>

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution.

- Salaries increased \$255,711. The college provided a 3% Cost of Living Adjustment on July 1, 2012, which was partially funded by the State of South Carolina. Due to retirements and vacancies, the lapsed salary helped to offset the total cost.
- Benefits increased by \$561,855 due to the increasing cost of benefits such as retirement and insurance.
- Supplies and services increased by \$999,849. This increase is primarily related to expenses related to the Evans Downtown Campus project, which was offset by Other Non-Operating Revenue when the project was transferred to the Downtown Campus LLC. The transfer from the current fund to the plant fund at fiscal year-end, as authorized by the Commission, decreased from \$1.442 million in fiscal year 2012 to \$600,000 in fiscal year 2013, a decrease of \$842,000.
- Scholarships decreased \$965,258. Although the College had an increase in students qualifying for Life and Lottery scholarships in fiscal year 2013, the amount received from Pell and Federal Direct Loans continued to decrease.

**Condensed Summary of Operating Expenses  
For the Years Ended June 30, 2013 and 2012**

	2013	2012	Increase (Decrease)
Salaries	\$ 19,581,607	\$ 19,325,896	\$ 255,711
Benefits	5,969,741	5,407,886	561,855
Scholarships	6,780,502	7,745,760	(965,258)
Utilities	904,801	901,797	3,004
Supplies/Services	14,214,482	13,214,633	999,849
Depreciation	1,666,912	1,831,024	(164,112)
Total	<u>\$ 49,118,045</u>	<u>\$ 48,426,996</u>	<u>\$ 691,049</u>



The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on State and County appropriations by separating them from operating cash flows.

- The small increase in cash flows of \$240,040 as compared to a \$2,160,255 increase in fiscal year 2012 was primarily due to paying off the four outstanding bonds. Several construction projects in process at the end of fiscal year 2012 were completed and capitalized in fiscal year 2013. As a result, there was less Construction in Progress at year-end in fiscal year 2013. A tuition increase of \$40 per semester for in-county residents, a new late registration fee of \$75, and a new distance learning fee of \$15 per course was effective in the fall 2012 term to partially offset the decline in state funding over time.

**Condensed Summary of Cash Flows**  
**For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
Operating Activities	\$(24,004,239)	\$(23,819,908)	\$(184,331)
Non-Capital Financing Activities	26,946,411	24,498,242	2,448,169
Capital and Related Financing Activities	(2,703,819)	1,481,284	(4,185,103)
Investing Activities	1,687	637	1,050
Net (Decrease) in Cash	<u>240,040</u>	<u>2,160,255</u>	<u>(1,920,215)</u>
Cash & Cash Equivalents - Beginning of Year	<u>13,939,206</u>	<u>11,778,951</u>	<u>2,160,255</u>
 Cash & Cash Equivalents - End of Year	 <u><u>\$ 14,179,246</u></u>	 <u><u>\$13,939,206</u></u>	 <u><u>\$ 240,040</u></u>

## Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$52,886,232 at the close of the fiscal year.

By far the largest portion of the College's net assets (74%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. During fiscal year 2013, the College paid off all four of its' capital bonds. The College currently has no outstanding bond debt.

Of the College's net assets, 7% represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$10,565,434 (19%) may be used to meet the College's ongoing obligations.

Cash increased by \$240,040. Overall cash provided from non-capital financing activities included state and local appropriations, grants and gifts, and other income of approximately \$26 million was used to fund operating activities.

The College is party to a 20 year capital lease with the Spartanburg Community College Foundation for the lease of the Business Training Center on the Cherokee Campus. Lease payments in the amount of \$199,000 were made this fiscal year.

The Evans Building project was transferred to the Spartanburg Community Foundation-Downtown Campus, LLC. On November 1, 2012, the Spartanburg County Commission for Technical and Community Education entered into a Facility Lease agreement with the Spartanburg Community College Foundation-Downtown Campus, LLC. The initial term of the lease is twenty years beginning on the first day of the calendar quarter after delivery of the certificate of occupancy by the State of South Carolina Office of State Engineer. The first rent payment of \$825,760 was paid in November 2012 for the renovation and construction of leasehold improvements with respect to the Project and to reduce further lease payments. The Evans Building was completed and is being used starting in the fall 2013 semester.

## **Economic Factors**

This past year, the State appropriation to the State Board for Technical & Comprehensive Education continued to stabilize and increase slightly by \$1.48 million (1 percent). As a result, the college received \$328,544 more in state support, which was a 5 percent increase. In addition, the college received \$3.5 million in one-time capital funds for a new building on the Cherokee County campus. A one-time capital appropriation for deferred maintenance costs of \$416,957 was also received along with capital appropriations of \$906,816 to support the operations of the Cherokee campus.

Spartanburg Community College experienced a slight increase in enrollment headcount of 0.5% for the fall 2012 term and a decrease of enrollment headcount of 2.4% for the spring 2013 term. The summer 2013 headcount was down 9.6% partially due to the federal government discontinuing the year round Pell scholarships. With the marginal improvement experienced in regional employment, the College has projected and budgeted for a 2% decrease in enrollment for 2013-14.

Increased use of our facilities will put demands on our operational costs. Utilities are expected to increase as the Evans Building is incorporated into College operations and the cost of transportation between campuses will increase. Staffing optimization at all sites will continue to be a top priority.

**SPARTANBURG COMMUNITY COLLEGE**

## Statement of Net Position

June 30, 2013

**ASSETS****CURRENT ASSETS**

Cash and Cash Equivalents	\$ 14,179,246
Accounts Receivable, Net	3,080,172
Inventories	589,436
Other Assets	540,587
	<hr/>
Total Current Assets	18,389,441

**NONCURRENT ASSETS**

Capital Assets	65,725,281
Accumulated Depreciation	24,777,233
	<hr/>
Total Noncurrent Assets	40,948,048
	<hr/>
Total Assets	59,337,489

**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable	606,788
Compensated Absences	118,901
Accrued Payroll and Related Liabilities	388,409
Long-Term Liabilities - Current Portion	116,561
Deferred Revenue	1,657,511
Accrued Interest Payable	21,835
	<hr/>
Total Current Liabilities	2,910,005

**NONCURRENT LIABILITIES**

Long-Term Liabilities - Noncurrent Portion	1,856,601
Compensated Absences - Payable	1,284,651
Other Liabilities - Advance	400,000
	<hr/>
Total Noncurrent Liabilities	3,541,252
	<hr/>
Total Liabilities	6,451,257

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	39,164,322
Restricted For:	
Loans	-
Capital Projects	3,178,311
Debt Service	(21,835)
Unrestricted	10,565,434
	<hr/>
Total Net Position	\$ 52,886,232

SEE NOTES TO FINANCIAL STATEMENTS



**SPARTANBURG COMMUNITY COLLEGE**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2013

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees	\$ 10,921,862
(Net of Scholarship Allowances of \$10,675,077)	
Student Tuition and Fees Pledged for Revenue Bonds	1,432,458
(Net of Scholarship Allowances of \$614,477)	
Federal Grants and Contracts	969,414
State Grants and Contracts	5,470,724
Local Grants and Contracts	294,382
Sales and Services of Educational Departments	3,910
Auxiliary Enterprises (Net of Scholarship Allowances of \$1,609,442)	2,322,741
Other Operating Revenues	<u>367,738</u>
Total Operating Revenues	<u>21,783,229</u>

**EXPENSES**

**OPERATING EXPENSES**

Salaries	19,581,607
Benefits	5,969,741
Scholarships	6,780,502
Utilities	904,801
Supplies and Other Services	14,214,482
Depreciation	<u>1,666,912</u>
Total Operating Expenses	<u>49,118,045</u>
Operating Income (Loss)	<u>(27,334,816)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	6,326,829
Local Appropriations	5,004,130
Investment Income	1,687
Interest On Capital Asset-Related Debt	(273,813)
Federal Grants and Contracts	13,737,855
Other Non-Operating Revenue	<u>1,555,607</u>
Net Non-operating Revenues	<u>26,352,295</u>
Income Before Other Revenues, Expenses, Gains or Losses	(982,521)

**OTHER**

State Capital Appropriations	4,823,773
Local Capital Appropriations	2,296,653
Capital Grants and Gifts	-
Loss on Disposal of Capital Assets	<u>33,684</u>
Total Other	7,154,110
Increase in Net Position	6,171,589

**NET POSITION**

Net Position - Beginning of Year	<u>46,714,643</u>
Net Position - End of Year	<u>\$ 52,886,232</u>

SEE NOTES TO FINANCIAL STATEMENTS

**SPARTANBURG COMMUNITY COLLEGE**Statement of Cash Flows  
For the Year Ended June 30, 2013**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 12,298,321
Federal, State and Local Grants and Contracts	7,324,360
Auxiliary Enterprise Charges	2,332,220
Payments to Suppliers for Goods and Services	(13,473,461)
Payments to Employees	(25,962,152)
Payments for Scholarships and Fellowships	(6,780,502)
Other Receipts	256,975
Net Cash Provided (Used) by Operating Activities	<u>(24,004,239)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	6,326,829
County Appropriations	5,347,450
Grants & Gifts Received for Other Than Capital Purposes	13,721,910
Reimbursement of Downtown Campus Project Costs	1,550,222
Net Cash Flows Provided by Noncapital Financing Activities	<u>26,946,411</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Appropriations	4,823,773
Local Grants and Contracts	2,079,689
Purchase of Capital Assets	(2,551,529)
Gain on Disposal of Assets	33,684
Principal Paid on Capital Debt	(6,741,019)
Interest Paid on Capital Debt	(348,417)
Net Cash Provided by Capital and Related Financing Activities	<u>(2,703,819)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>1,687</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>1,687</u>

Net Increase (Decrease) in Cash	240,040
Cash - Beginning of Year	<u>13,939,206</u>
Cash - End of Year	<u><u>\$ 14,179,246</u></u>

**Reconciliation of Net Operating Revenue (Expenses) to Net Cash****Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (27,334,816)
Adjustments to Reconcile Net Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	1,666,912
Change in Assets and Liabilities:	
Receivables, Net	247,132
Inventories	(127,163)
Deferred Charges and Prepaid Expenses	(91,345)
Accounts Payable and Accrued Expenses	(367,837)
Compensated Absences	166,114
Deferred Revenue	286,542
	<u>1,550,222</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (24,004,239)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

**SPARTANBURG COMMUNITY COLLEGE FOUNDATION**

Statement of Financial Position  
For the Year Ended June 30, 2013

**ASSETS**

***CURRENT ASSETS***

Cash and Cash Equivalents	\$ 5,035,609
	<u>5,035,609</u>

***ASSETS RESTRICTED FOR LONG-TERM ASSETS***

Cash	353,917
Pledges Receivable, Net	<u>762,660</u>
	<u>1,116,577</u>

***PROPERTY AND EQUIPMENT***

16,933,481

Less: Accumulated Depreciation

<u>701,381</u>
<u>16,232,100</u>

***OTHER ASSETS***

Investments Held by Spartanburg County Foundation	<u>6,227,748</u>
	<u>6,227,748</u>

**TOTAL ASSETS**

\$ 28,612,034

**LIABILITIES AND NET POSITION**

***CURRENT LIABILITIES***

Accounts Payable	\$ 683,256
Accrued Interest	15,924
Cherokee County Bond - Current Portion	<u>115,405</u>
	<u>814,585</u>

***LONG TERM LIABILITIES***

Cherokee County Bond - Current Portion	<u>16,381,729</u>
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***NET POSITION***

Unrestricted	3,925,401
Temporarily Restricted	<u>7,490,319</u>

Total Net Position	<u>11,415,720</u>
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**TOTAL LIABILITIES AND NET POSITION**

\$ 28,612,034

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**SPARTANBURG COMMUNITY COLLEGE FOUNDATION**

Statement of Activities  
For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Grants and Contributions	\$ 161,794	6,438,001	6,599,795
Lease Income	199,000	-	199,000
Rental Income	6,568	-	6,568
Investment Income	-	-	
Investment Interest	368	39,523	39,891
Realized Gains (Losses)	67,331	-	67,331
Unrealized Gains (Losses)	425,711	-	425,711
Gain (Loss) on Sale of Assets	(99,304)	-	(99,304)
Net Position Released from Restrictions	<u>1,495,474</u>	<u>(1,495,474)</u>	<u>-</u>
Total Revenues, Support, and Reclassifications	<u>2,256,942</u>	<u>4,982,050</u>	<u>7,238,992</u>
Expenses			
Program Services	521,127	-	521,127
Management and General	50,862	-	50,862
Fundraising	<u>2,722</u>	<u>-</u>	<u>2,722</u>
Total Expenses	<u>574,711</u>	<u>-</u>	<u>574,711</u>
Change in Net Position	1,682,231	4,982,050	6,664,281
Net Position at Beginning of Year	<u>2,243,170</u>	<u>2,508,269</u>	<u>4,751,439</u>
Net Position at End of Year	<u><u>\$ 3,925,401</u></u>	<u><u>7,490,319</u></u>	<u><u>11,415,720</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements

June 30, 2013

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Operations:** Spartanburg Community College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Spartanburg, Union, and Cherokee counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives as well as the Associate of Arts and Associate of Science degree programs for students wishing to continue their education at a four year college or university.

Spartanburg Community College Foundation, Inc. (the “Foundation”) is a nonprofit organization that was formed June 28, 1983 to benefit and support education at Spartanburg Community College.

**B. Reporting Entity:** The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The State of South Carolina has implemented GASB Statement No. 61 for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College will now be presented as a discretely presented component unit in the 2013 State of South Carolina Comprehensive Annual Financial Report. Accordingly, the financial statements include the accounts of Spartanburg Community College, as a discretely presented component unit, and the accounts of Spartanburg Community College Foundation, its component unit. The College is a component unit of the State of South Carolina. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

During the prior year, on January 13, 2012, the foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner (the LLC Partnership), for the purpose of renovating the Evans building, the new downtown campus project, and to qualify for and obtain new market tax credits amounting to approximately \$5.85 million. These new market tax credits represent 39% of the total project amount of \$15 million. The majority of the tax credits, 77%, will ultimately enhance the project by funding the overall cost and reducing the related debt repayment.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements, Continued

June 30, 2013

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies.)

Financial statements for the Foundation can be obtained by mailing a request to: Spartanburg Community College Foundation, Post Office Box 4386, Spartanburg, South Carolina 29305.

**C. Financial Statements:** The financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

Beginning in fiscal year 2013, the State has required the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, the Statement of Net Assets has been replaced by the Statement of Net Position. The State has also implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*, for the fiscal year ended June 30, 2013. As a result, Spartanburg Community College will now be presented as a discretely presented component unit in the 2013 State of South Carolina Comprehensive Annual Financial Report.

**D. Basis of Accounting:** For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**E. Cash and Cash Equivalents:** For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

**F. Investments:** Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, and "Investments of Funds". GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

**G. Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**H. Inventories:** Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

**I. Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Effective July 1, 2011, the College adopted a monthly depreciation convention for the straight-line method consistent with the policy of the State of South Carolina.

**J. Deferred Revenues and Deposits:** Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent tuition for international students, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**K. Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements, Continued

June 30, 2013

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

**L. Net Assets:** The College's net assets are classified as follows:

***Invested in capital assets, net of related debt:*** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

***Restricted net assets - expendable:*** Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

***Restricted net assets - nonexpendable:*** Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

***Unrestricted net assets:*** Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**M. Income Taxes:** The College is exempt from income taxes under the Internal Revenue Code.

**N. Classification of Revenues:** The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

***Operating Revenues:*** Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

***Nonoperating Revenues:*** Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Beginning fiscal year 2009-10, the SC Comptroller General's office mandated that Pell grants be reclassified as non-operating revenues from operating revenues. State fiscal stabilization funds are reported as federal non-operating revenues in the financial statements, with a portion reported as federal capital grants, as appropriate.



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** Continued

**O. Sales and Services of Educational and Other Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues from programs such as culinary arts luncheons, horticultural plant sales and massage therapy sessions.

**P. Auxiliary Enterprises and Internal Service Activities:** Auxiliary enterprise revenues primarily represent revenues generated by bookstore services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

**Q. Capitalized Interest:** The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$-0- of interest cost during the year ended June 30, 2013, all of which was charged to expense.

**R. Component Unit:** The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

***Permanently Restricted Net Assets:*** Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

***Temporarily Restricted Net Assets:*** Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

***Unrestricted Undesignated Net Assets:*** Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

***Unrestricted Designated Net Assets:*** Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements, Continued

June 30, 2013

#### **NOTE 2 – STATE APPROPRIATIONS**

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical and community colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2013:

##### **Non-Capital Appropriations**

Appropriations Per State Board Allocation	\$ 5,984,530
Lottery Technology Funds	342,018
Appropriations from Commission on Higher Education for Academic Endowment	281
Less: Prior Year's Appropriations Recorded As Current Year Revenue (Lottery Technology Funds)	(105,526)
Plus: Next Year's Appropriations Recorded As Current Year Revenue	-
Total Non-Capital Appropriations Recorded As Current Year Revenue	<u>\$ 6,221,303</u>

##### **Capital Appropriations**

Appropriations for Cherokee Campus	906,816
Cherokee Campus Improvement (One-Time Appropriation)	3,500,000
Deferred Maintenance Allocation (One-Time Appropriation)	416,957
Total Capital Appropriations Recorded As Current Year Revenue	<u>\$ 4,823,773</u>

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**

##### **DEPOSITS**

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

##### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty transaction fails.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 3 – DEPOSITS AND INVESTMENTS**, Continued

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The deposits for Spartanburg Community College at June 30, 2013, were \$16,770,120. Of these, \$0 were exposed to custodial credit risk as uninsured and uncollateralized.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

**INVESTMENTS**

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College had no investments at June 30, 2013.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The College's investments at June 30, 2013, were held by the College or in the College's name by the College's custodial banks. The College recognized no losses due to the default by counterparts to investment transactions and amounts recovered from prior period losses.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 3 – DEPOSITS AND INVESTMENTS,** Continued

**Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Vice President of Business Affairs. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The College's excess funds were held in an interest bearing checking account, which was fully insured or collateralized at June 30, 2013.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a policy on concentration of credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

The College does not have a policy concerning interest rate risk.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the college is not exposed to this risk.

**Cash and Investment Reconciliation**

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments.

STATEMENT OF NET POSITION:	
Cash and Cash Equivalents	\$ 14,179,246
Restricted Cash and Cash Equivalents	-
Total	<u>\$ 14,179,246</u>
DEPOSITS AND INVESTMENTS NOTE:	
Cash on Hand	\$ 2,680
Carrying Amounts of Deposits, Net	14,176,566
Total	<u>\$ 14,179,246</u>

## SPARTANBURG COMMUNITY COLLEGE

### Notes To Financial Statements, Continued

June 30, 2013

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**, Continued

##### **Component Unit-Deposits and Investments**

The deposits and investments for the Spartanburg Community College Foundation, Inc. at June 30, 2013, were as follows:

Cash	\$ 5,035,609
Restricted Cash for Downtown Campus Development	\$ 353,917

The Foundation has established several investment funds with Spartanburg County Foundation. The funds are held, managed, administered, applied and disbursed under general powers and duties of the Spartanburg County Foundation

The investment funds are carried as assets on the Foundation's financial statements, since these funds were established by the Spartanburg Community College Foundation with the Foundation as the beneficiary. The proceeds of these funds are to be used for scholarship assistance for students attending Spartanburg Community College or for the benefit of the College depending on the purpose of the individual investment funds.

The following is a summary of the activity in the investment funds for the year ended June 30, 2013, as reported by the Spartanburg County Foundation:

Balance - July 1, 2012	\$ 607,681
Contributions	5,300,000
Interest/Dividend Income	61,736
Realized Gains/(Losses)	67,332
Unrealized Gains/(Losses)	425,711
Distributions	(212,499)
Management Fees	(22,213)
Balance - June 30, 2013	<u>\$ 6,227,748</u>

#### **NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables as of June 30, 2013, including applicable allowances, were as follows:

<u>Receivables:</u>	
Student Accounts	\$ 915,084
Other	217,492
Less: Allowance for Doubtful Accounts	(1,003,684)
Union County	1,411
State Grants and Contracts	240,268
Federal Grants and Other Contracts	<u>2,709,601</u>
Net Accounts Receivable	<u>\$ 3,080,172</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2013, the allowance for uncollectible student accounts is valued at \$1,003,684.

##### **Component Unit – Accounts Receivable**

At June 30, 2013, the amount of accounts receivable for the Foundation was \$-0-.

**SPARTANBURG COMMUNITY COLLEGE**

## Notes To Financial Statements, Continued

June 30, 2013

**NOTE 5 – PLEDGES RECEIVABLE COMPONENT UNIT**

During the year, the Foundation received pledges from individuals, foundations, and local businesses to fund a capital project, the downtown campus building acquisition and renovation. The pledges receivable are unconditional and due over five years. Uncollectible promises are estimated at 50% of the unpaid balance, and are discounted using a net present value calculation and an effective rate of 5.0 percent.

Receivable in Less than One Year		\$	547,500
Receivable in One to Five Years			1,095,000
			1,642,500
Less Allowance for Uncollectible Amounts			(821,250)
Less Discount to Net Present Value			(58,590)
Pledges Receivable (Net)		\$	762,660

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 6 – CAPITAL ASSETS**

	Beginning Balance, Restated 06/30/12	Additions	Retirements	Transfers	Ending Balance 06/30/13
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 4,301,665	-	-	-	4,301,665
Construction in Progress	748,796	1,647,761	-	(2,227,977)	168,580
Works of Art, Historical Treasures, and Similar Assets	14,644	-	-	-	14,644
Total Capital Assets Not Being Depreciated	5,065,105	1,647,761	-	(2,227,977)	4,484,889
Other Capital Assets:					
Buildings and Renovations	50,530,834	-	-	387,952	50,918,786
Machinery, Equipment, and Other	6,439,417	883,063	163,588	-	7,158,892
Vehicles	721,933	20,704	70,579	-	672,058
Depreciable Land Improvements	1,983,710	-	-	289,803	2,273,513
Intangibles Assets	217,143	-	-	-	217,143
Total Other Capital Assets	59,893,037	903,767	234,167	677,755	61,240,392
Less Accumulated Depreciation For:					
Buildings and Improvements	15,254,719	1,229,762	-	-	16,484,481
Machinery, Equipment and Other	5,852,458	314,472	163,588	-	6,003,342
Vehicles	535,394	58,819	70,579	-	523,634
Depreciable Land Improvements	1,484,773	63,860	-	-	1,548,633
Intangibles	217,143	-	-	-	217,143
Total Accumulated Depreciation	23,344,487	1,666,913	234,167	-	24,777,233
Other Capital Assets, Net	36,548,550	(763,146)	-	677,755	36,463,159
Capital Assets, Net	\$ 41,613,655	884,615	-	(1) (1,550,222)	40,948,048

In 2011, the College acquired real estate in downtown Spartanburg, the Evans Building, in exchange for cash of \$3,340,000 and real estate (the Dent Building) with a book value of \$854,072. Legal, engineering and architectural fees totaling \$79,050 related to the purchase were incurred and capitalized. The transaction was recognized as follows:

Land	\$ 2,400,000
Building	1,873,122
Total	<u>\$ 4,273,122</u>

Certain Real Estate Assets Carry Restrictions. See Note 9.

**Component Units**

**SCC Foundation**

	6/30/2013
Capital Assets Not Being Depreciated:	
Land and Improvements	\$ 432,877
Construction in Progress	11,739,751
Total Capital Assets Not Being Depreciated	12,172,628
Other Capital Assets:	
Buildings	4,091,533
Machinery, Equipment, and Other	3,410
Total Other Capital Assets at Historical Cost	4,094,943
Less Accumulated Depreciation for:	
Machinery, Equipment, and Buildings	701,381
Other Capital Assets, Net	3,393,562
Capital Assets, Net	<u>\$ 15,566,190</u>

(1) This amount was transferred to the SCC Foundation-Downtown Campus, LLC and subsequently reimbursed from loan funds. See Note 15.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 7 – CONTINGENCIES, LITIGATION, & PROJECT COMMITMENTS**

The College may be party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2013, the College had remaining commitment balances of approximately \$3,680 with certain property owners, engineering firms, construction contractors, and vendors related to these projects.

Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$-0- at June 30, 2013.

The College anticipates funding these projects out of current resources, private gifts, or student fees.

During the 1998-99 fiscal year, the College received a non-interest bearing advance of \$400,000 from the General Assembly to be used to purchase a building. This note will be repaid if the building is sold. For financial reporting purposes, this amount is classified on the Statement of Net Assets as "Other Liabilities-Advance" under Non-Current Liabilities.

Two buildings, the Health Sciences Building on the main campus and the Academic Building on the Cherokee County campus, were partially funded by grants from the Economic Development Administration (EDA). As a condition of the grants, the College entered into a twenty-year mortgage agreement on the property with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Spartanburg Community College acted in a manner prohibited by the award. According to the agreement, the College may not transfer or convey, including leasing the property, without the written consent of EDA. The College must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the College is remote. Therefore, the contingent liability is not reflected in the College's financial statements.



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 8 – LEASE OBLIGATIONS**

**Capital Leases:**

The College entered into a 20-year lease agreement with Spartanburg Community College Foundation on September 29, 2005. This agreement is for the lease of the Business Training Center on the Cherokee Campus. The lease began on the first day of the month after the month in which the facility was ready for occupancy. The first payment was due on January 25, 2007.

Spartanburg Community College has the option to purchase all of its rights, title, and interest at any time during the initial term or any extended term of the lease at a price equal to the sum of (a) the 2003 land appraisal of the value of the land per acre, times the acreage of the leased property, (b) the Spartanburg Community College Foundation's un-financed capital expenditures invested in the facility and other improvements on the property, and (c) the aggregate outstanding balance of all loans incurred by the Foundation to construct the building, access roads, and parking.

The cost of the building is \$2,578,561 and the accumulated depreciation is \$522,924 at June 30, 2013.

The capital lease with the Spartanburg Community College Foundation was \$199,000 for the year ended June 30, 2013.

**Future minimum payments to be paid:**

<u>Year Ended June 30</u>	<u>Capital Lease with Discretely Presented Component Units</u>
2014	\$ 199,000
2015	199,000
2016	199,000
2017	199,000
2018	199,000
2019-2023	995,000
2024-2027	597,000
Total Minimum Payments	<u>\$ 2,587,000</u>
Less: Interest	(613,838)
Present Value of Net Minimum Lease Payment	<u><u>\$ 1,973,162</u></u>

On November 1, 2012, the Spartanburg County Commission for Technical and Community Education entered into a Facility Lease agreement with the Spartanburg Community College Foundation-Downtown Campus, LLC. The initial term of the lease is twenty years beginning on the first day of the calendar quarter after delivery of the certificate of occupancy by the State of South Carolina Office of State Engineer. The first rent payment of \$825,760 was paid in November 2012 for the renovation and construction of leasehold improvements with respect to the Project and to reduce further lease payments. No portion of the Base Rent shall be divided into principal and interest components, and this Lease does not contain any reference to any portion of any payments being treated as interest.

**SPARTANBURG COMMUNITY COLLEGE**

## Notes To Financial Statements, Continued

June 30, 2013

**NOTE 8 – LEASE OBLIGATIONS**, ContinuedFuture minimum payments to be paid:

<u>Year Ended June 30</u>	Capital Lease with Discretely Presented Component Units
2014	\$ 842,275
2015	859,120
2016	876,304
2017	893,828
2018	911,704
2019-2023	5,113,568
2024-2028	5,975,480
2029-2032	5,458,680
Total Minimum Payments	<u>\$ 20,930,959</u>

**Operating Leases:**

Future commitments for copier and postage meter operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2013 were as follows:

<u>Year Ended June 30</u>	Operating Leases with External Parties
2014	\$ 51,170
2015	45,971
2016	39,062
2017	39,062
Total Minimum Payments	<u>\$ 175,265</u>

Contingent rentals for copier leases paid on a cost-per-copy basis are as follows:

<u>Year Ended June 30</u>	Operating Leases With External Parties
2013	\$ 56,959

The College's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier equipment were \$48,724 for fiscal year 2013. The rental payments for the postage meter were \$11,844, and the College paid \$56,959 for cost-per-copy copiers.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 8 – LEASE OBLIGATIONS**, Continued

Facilities Leased to Others:

On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. Spartanburg County School District No. 7 will pay Spartanburg Community College \$15.34 per square foot leased, which will be paid in one-time installments of \$83,863.78 on or before the 10<sup>th</sup> day of July each consecutive calendar year of the term beginning on July 1, 2013.

On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months. For the first term of the sublease, October 1, 2013 – June 30, 2014, SC Works will pay Spartanburg Community College \$11.00 per square foot leased (\$144,100 total), which will be paid in equal monthly installments of \$12,008.33 on or before the tenth day of each consecutive calendar month of the term. For the second term of the sublease, July 1, 2014 – June 30, 2015, SC Works will pay Spartanburg Community College \$12.00 per square foot leased (\$157,200 total), which will be paid in equal monthly installments of \$13,100.00 on or before the tenth day of each consecutive calendar month of the term. For the third term of the sublease, July 1, 2015 – June 30, 2016, SC Works will pay Spartanburg Community College \$13.15 per square foot leased (\$172,265 total), which will be paid in equal monthly installments of \$14,355.42 on or before the tenth day of each consecutive calendar month of the term.

**NOTE 9 – PENSION PLANS**

The majority of employees of Spartanburg Community College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 9 – PENSION PLANS, Continued**

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death benefit. Spartanburg Community College's actual contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately \$1,636,757, \$1,431,860, and \$1,401,657, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2013, 9.385% for 2012 and 9.24% for 2011. Also, Spartanburg Community College paid employer incidental death program contributions of approximately \$23,494, \$22,885, and \$22,754, at the rate of .15% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 9 – PENSION PLANS, Continued**

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, .20% for the incidental death program, .20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Spartanburg Community College's actual contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were approximately \$5,057, \$6,436, and \$3,389, respectively, and equaled the base retirement required contribution rate, excluding surcharge, of 11.90% for 2013, 11.363% for 2012 and 11.13% for 2011. Spartanburg Community College also paid employer incidental death program contributions of approximately \$85, \$113, and \$61, at the rate of .20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively. In addition, Spartanburg Community College paid accidental death program contributions of approximately \$85, \$113, and \$61, at the rate of .20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

## **SPARTANBURG COMMUNITY COLLEGE**

### **Notes To Financial Statements, Continued**

June 30, 2013

#### **NOTE 9 – PENSION PLANS, Continued**

For fiscal year 2013, total contributions requirements to the ORP were approximately \$247,095 (excluding the surcharge) from Spartanburg Community College as employer and approximately \$114,169 from its employees as plan members.

The amounts paid by Spartanburg Community College for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, Spartanburg Community College's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, Spartanburg Community College recognizes no contingent liability for unfunded costs associated with participation in the plans.

#### **NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

##### **Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. Spartanburg Community College contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued**

**Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The IB sets the employer contribution rate based on a pay-as-you-go basis. Spartanburg Community College paid approximately \$788,798 and \$728,651 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2013, and 2012. Spartanburg Community College recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$10,329 and \$10,278 for the years ended June 30, 2013, and 2012, respectively.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

**NOTE 11 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2013 are summarized as follows:

Accounts Payable, Unrestricted	\$ 606,788
Accounts Payable, S.C. Commission on Higher Education	-
Accounts Payable, Non-Current	-
Accrued Salaries and Related Payroll Expenses	-
Accrued Compensated Absences	-
Accrued Interest	-
	<hr/>
Total Accounts Payable	<u><u>\$ 606,788</u></u>

***Component Unit***

At June 30, 2013, the amount of accounts payable for the Foundation was \$799,555.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 12 – BONDS AND NOTES PAYABLE**

***Bonds Payable***

Bonds payable consisted of the following at June 30, 2013:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Special Student Fee Capital Improvement Bonds:			
Series 1999	4.88%	03/01/2014	\$ -
Series 2001	4.80%	03/01/2016	-
Series 2004	3.45%	03/01/2019	-
Series 2005	3.74%	11/01/2020	-
Total Special Student Fee Bonds Payable			<u>\$ -</u>
Beginning Balance - July 1, 2012		\$ 6,633,400	
Additions:		-	
Deletions:			
Health Science Bond Payment		(562,488)	
Student Life Bond Payment		(881,068)	
Library Building		(3,160,000)	
Tyger River Campus		<u>(2,029,844)</u>	
Ending Balance - June 30, 2013		\$ -	

The College has maintained revenue in excess of the required 110% or 105% of the debt service payments due this bond year.

All four bonds were paid in full during FY2013. The principal and interest paid are as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2013	261,188	6,633,400	\$ 6,894,588

There was also a prepayment penalty on the library bond pay-off of \$27,900, due to paying it off prior to 10 years, which is included in the interest number above. If the College waited until March 2014 to pay this debt, the College would have accrued an additional \$94,209.44 in interest. It was beneficial to pay the prepayment penalty, thereby saving \$66,309.44 in interest.

By the authority of Section 59-53-53 of the SC Code of Laws, the area commission on any Community education institution under the jurisdiction of the South Carolina Community education system may borrow for capital improvements from a federal or other lending agency an amount not to exceed its ability to repay the loan through the imposition of a special fee. The terms of the loan may not exceed forty years. An area commission may issue covenants, enter into mortgages, and grant liens limiting the sale or use of certain parcels of real or personal property in its possession when required as a condition of accepting a grant, loan, or donation for specified capital improvement projects.



**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 12 – BONDS AND NOTES PAYABLE, Continued**

To amortize the loan, a special fee must be imposed within the limits established by the state board, the proceeds of which must be deposited in a special account to be used for payment of the loan in accordance with the terms negotiated by the commission and the lender. No funds other than the revenue from the special fees may be pledged for payment of the loan.

The College was required to maintain revenue in the amount of 110% of the debt service payments due in each bond year on the Health Science and Student Life Buildings. The College was required to maintain revenue in the amount of 105% of the debt service payment due in each bond year on the Library Building and the Tyger River Campus.

***Component Unit – Bonds Payable***

During October 2005, the Foundation was issued an Economic Development Bond by the South Carolina Jobs Economic Development Authority to defray the cost of acquiring, by construction and purchase, a Cherokee County Campus for use by Spartanburg Community College. The bond matures October 1, 2025. Interest and principal on the outstanding balance is payable semi-annually. The bond bears interest at 4.24%. The interest paid through March 9, 2007 was capitalized in the amount of \$159,000 and is included in the cost of the building in the accompanying Statement of Financial Position. The long-term debt maturities required in the future and in the aggregate are as follows:

<u>June 30</u>	
2014	\$ 115,405
2015	120,350
2016	125,507
2017	130,885
2018	136,493
2019-2023	775,373
2024-2028	<u>453,121</u>
	<u>\$ 1,857,134</u>

Interest expense for the year ended June 30, 2013 was \$81,693.

**NOTE 13 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>June 30,</u> <u>2012</u>	<u>Addition</u>	<u>Reductions</u>	<u>June 30,</u> <u>2013</u>	<u>Due Within</u> <u>One Year</u>
Bonds and Notes Payable:					
Special Student Fee Capital Bonds	\$ 6,633,400	-	6,633,400	-	-
Capital Lease Obligations	2,084,933	-	111,771	1,973,162	116,561
Accrued Compensated Absences	<u>1,237,437</u>	<u>590,391</u>	<u>424,276</u>	<u>1,403,552</u>	<u>118,901</u>
Total Long-Term Liabilities	<u>\$ 9,955,770</u>	<u>590,391</u>	<u>7,169,447</u>	<u>3,376,714</u>	<u>235,462</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT**

The Spartanburg Community College Foundation's temporarily restricted net assets as of June 30, 2013 consisted of the following:

Other Scholarship Funds	\$ 130,367
Scholarship Funds Held by Spartanburg County Foundation	672,774
BMW Scholarship Funds	5,554,974
Other Balances Held for College Support	40,658
Assets Restricted for Long-Term Assets	1,106,576
Total	<u><u>\$ 7,505,349</u></u>

**NOTE 15 – RELATED PARTIES**

A certain separately chartered legal entity whose activities are related to those of the College exists primarily to provide financial assistance and other support to the College and its educational program. Financial statements for that entity are prepared by accountants and retained by the Spartanburg Community College Foundation (the "Foundation").

Management reviewed its relationship with the Foundation under existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2013.

**The Spartanburg Community College Foundation**

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors. All transactions are conducted at arms-length.

During the prior year, on January 13, 2012, the foundation formed the SCC Foundation-Downtown Campus, LLC, a partnership, with the Spartanburg Public Facilities Corporation as a 3% partner (the LLC Partnership), for the purpose of renovating the Evans building, the new downtown campus project, and to qualify for and obtain new market tax credits amounting to approximately \$5.85 million. These new market tax credits represent 39% of the total project amount of \$15 million. The majority of the tax credits, 77%, will ultimately enhance the project by funding the overall cost and reducing the related debt repayment.

The Evans property had been purchased by Spartanburg Community College in January 2011 and the College maintains ownership. The College entered into a ground lease of this property with and to the LLC Partnership for 55 years at \$1 per year, beginning on November 1, 2012, and ending October 31, 2067.

The LLC Partnership entered into a facilities lease agreement with the Spartanburg Community College to lease the renovated facility to the College over a period of 20 years, beginning approximately July 1, 2013, for between \$206,440 and \$356,440 per calendar quarter over the term of the lease. This lease is pledged as collateral for the debt. Upon formation of the LLC Partnership and pursuant to the facilities lease, the College transferred \$825,760 to the LLC Partnership as an amount for the renovation and construction of leasehold improvements with respect to the project and to reduce further lease payments to the LLC Partnership.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 15 – RELATED PARTIES, Continued**

Subsequently the LLC Partnership arranged for financing of the renovation project with a bank, in the total amount of \$15,000,000, with \$10,495,500 of debt and \$4,504,500 of New Market Tax Credits.

The SCC originally contracted for the renovation project with a construction contractor and project engineer/supervisor. These contracts were subsequently assigned to the LLC partnership. Up to this point, the College had expended \$1,550,222 in initial payments for the project, and was subsequently reimbursed out of initial loan draws, resulting in this cost and related debt being reflected on the books of the LLC Partnership. Subsequent to these assignments, on December 6, 2012, SCC Foundation-Downtown Campus, LLC, assigned to Wells Fargo Community Development Enterprise Round 9 Subsidiary 4, LLC, a Delaware limited liability company and NDC New Markets Investments LXXII, LLC, a Delaware limited liability company all of its right, title and interest, in and to the architectural agreements and plans and specifications in connection with project and its rights under all construction agreements relating to the acquisition, renovation, development and construction of additional improvements to the property and the project.

The College recorded non-governmental gifts receipts of \$19,286 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2013. These funds were used to support College programs such as scholarships and to fund equipment and faculty and staff development. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. Additionally, the Foundation paid the College a total of \$28,461 for administrative services during the year.

The College paid the Foundation, LLC Partnership \$825,760 for renovation and construction expenses and to reduce future lease payments, per the agreement outlined above.

As referenced in Note 8, the College also leases a building located in Cherokee County from the Foundation. Lease expense from the College to the Foundation was \$199,000 for the year ended June 30, 2013.

The consolidated Foundation's assets including the SCC Foundation – Downtown Campus, LLC, as of June 30, 2013, were \$28,612,034.

Related party receivables and payables as of June 30, 2013 are as follows:

Due to the Foundation	\$ 15,030
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**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 16 – RISK MANAGEMENT**

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College is insured through the State's blanket fidelity bond insurance policy for all employees for losses arising from theft or misappropriation.

**NOTE 17 – OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2013 are summarized as follows:

	Compensation	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 10,801,040	3,042,823	-	-	2,593,993	-	16,437,856
Academic Support	2,004,219	645,864	-	-	2,978,140	-	5,628,223
Student Support	2,247,511	721,063	-	-	1,002,147	-	3,970,721
Operation & Maintenance of Plant	1,334,968	448,852	-	904,801	3,100,968	-	5,789,589
Institutional Support	3,010,262	1,049,797	-	-	1,460,946	-	5,521,005
Scholarships & Fellowships	-	-	6,780,502	-	-	-	6,780,502
Auxiliary Enterprises	183,607	61,342	-	-	3,078,288	-	3,323,237
Depreciation	-	-	-	-	-	1,666,912	1,666,912
Total Operating Expenses	<u>\$ 19,581,607</u>	<u>5,969,741</u>	<u>6,780,502</u>	<u>904,801</u>	<u>14,214,482</u>	<u>1,666,912</u>	<u>49,118,045</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 18 – STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)**

The College incurred expenditures of \$15,551 during fiscal year 2013 under American Recovery and Reinvestment Act (ARRA) funding. These funds were awarded to the College via pass-through funding from the U.S. Department of Commerce (Broadband Tech Grant) and the U.S. Department of Education (Statewide Longitudinal Data Systems Grant). ARRA funds were expended primarily for funding temporary faculty/staff positions, technology updates and contractual services.

The schedules below list the individual funds and expenses and the expenses by functional classification.

						Funds Used Through June 30, 2013
<b>Funds</b>						
ARRA Broadband Technology Grant						\$ 13,551
ARRA Statewide Longitudinal Systems Grant						2,000
Total Expenditures Incurred Through June 30, 2013						<u>\$ 15,551</u>

Please note that all expenses are *included* in the schedule presented in NOTE 17.

	Compensation	Benefits	Scholarships	Utilities	Supplies and Other Services	Capitalized	Total
Instruction	\$ -	-	-	-	-	-	-
Academic Support	6,725	613	-	-	8,213	-	15,551
Student Services	-	-	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Scholarships & Fellowships	-	-	-	-	-	-	-
Auxiliary Enterprises	-	-	-	-	-	-	-
Total Operating Expenses	<u>\$ 6,725</u>	<u>613</u>	<u>-</u>	<u>-</u>	<u>8,213</u>	<u>-</u>	<u>15,551</u>

**NOTE 19 – PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS**

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College received goods and/or services from other South Carolina higher education institutions for a fee, as listed below:

	Purchases
Central Carolina Technical College	\$ 159
Clemson University	2,195
Greenville Technical College	316
Horry-Georgetown Technical College	195
Midlands Technical College	5,239
Northeastern Technical College	214
Piedmont Technical College	184
University of South Carolina	<u>1,416</u>
Total Purchases	<u>\$ 9,918</u>

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 20 – STATEMENT OF ACTIVITIES**

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Charges for Services	\$ 21,415,491	22,794,294	(1,378,803)
Operating Grants and Contributions	20,700,701	19,403,916	1,296,785
Capital Grants and Contributions	2,296,653	2,023,473	273,180
Less: Expenses	<u>(49,391,858)</u>	<u>(48,794,315)</u>	<u>(597,543)</u>
Net Program Revenue (Expense)	<u>(4,979,013)</u>	<u>(4,572,632)</u>	<u>(406,381)</u>
Transfers:			
State Appropriations	6,326,829	5,892,759	434,070
State Capital Appropriations	4,823,773	1,670,976	3,152,797
Capital Improvement Bond Proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenue and Transfers	<u>11,150,602</u>	<u>7,563,735</u>	<u>3,586,867</u>
Change in Net Assets	6,171,589	2,991,103	3,180,486
Net Assets - Beginning of Year	<u>46,714,643</u>	<u>43,723,540</u>	<u>2,991,103</u>
Net Assets - Ending	<u><u>\$ 52,886,232</u></u>	<u><u>46,714,643</u></u>	<u><u>6,171,589</u></u>

**NOTE 21 – TRANSACTIONS WITH OTHER AGENCIES**

The College had significant transactions with the State of South Carolina and various agencies.

Several services received at no cost from state agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

**SPARTANBURG COMMUNITY COLLEGE**  
Notes To Financial Statements, Continued  
June 30, 2013

**NOTE 22 – SUBSEQUENT EVENTS**

Management has, through September 19, 2013, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2013, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates.

As outlined in NOTE 8 – LEASE OBLIGATIONS, there were two sub-lease agreements that the College entered in with other entities that will be effective during fiscal year 2014. On June 17, 2013, Spartanburg Community College entered into a Sub-lease agreement with Spartanburg County School District No. 7, commencing on July 1, 2013, and terminating on June 30, 2018, for a total of five years. On February 8, 2013, Spartanburg Community College entered into a Sub-lease agreement with SC Works commencing on October 1, 2013, and terminating June 30, 2016, for a total of two years and eight months.

These two sub-lease agreements will result in additional revenue being available to the College through the terms of these leases.